



## ANNUAL USE OF CAPITAL SURVEY - 2009

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

State Bankshares, Inc. ( Holding Company ) State Bank &amp; Trust ( Depository Institution )

Person to be contacted regarding this report:	Rodney C. Jordahl
CPP Funds Received:	\$50,000,000
CPP Funds Repaid to Date:	\$12,500,000
Date Funded (first funding):	1/16/2009
Date Repaid <sup>1</sup> :	8/12/2009

RSSD: (For Bank Holding Companies)	1417333
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	19581
City:	Fargo
State:	North Dakota

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	Capital was inserted into the Company's subsidiary bank to support 2009 loan growth. State Bank & Trust aggressively marketed its ability to make business and personal loan in the markets that it serves. Net loan growth for 2009 was \$78.3 million.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The Company's loan growth was primarily in commercial (small business) loans split fairly evenly between real estate and non-real estate. The Company also closed a historically high level of residential mortgage loans that were passed through to FNMA and other secondary market sources.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	
<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	

<input checked="" type="checkbox"/>	Reduce borrowings	A portion of the funds were used to repay short-tem borrowings. State Bankshares, Inc. continues to have an open line of credit which would restore these funds if needed for loan growth or capital insertion into State Bank & Trust.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Some uncertainty still remains in the market. We continue to hold funds as non-leveraged increase to total capital to allow for this.

What actions were you able to avoid because of the capital infusion of CPP funds?

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The Company's subsidiary bank was actively curtailing lending activity prior to receipt of the Capital Purchase Program funds due to capital restrictions, and uncertainty as to the impact of economic conditions on the quality of its loan portfolio. The CPP funds provided it the capability to freely resume loan activity in the markets that it serves without these restrictions.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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